

A Study on the Financial Problems Faced by Akhil Ribbons Pvt. Ltd

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Abstract:

This report examines the financial challenges faced by Akhil Ribbons Pvt. Ltd., a company involved in manufacturing garment accessories such as tags and labels. Recent market fluctuations, rising production costs, and delayed receivables have contributed to the company's financial strain. The report identifies the core problems, analyzes their root causes, and offers practical strategies to overcome the financial stress and return to sustainable operations.

Keywords: Branding elements for garments, Tags and labels manufacturing, Export market challenges, Delayed payments, Cash flow problems, High inventory costs, Raw material price fluctuations, Client dependency, Cost tracking inefficiencies

1. Introduction

The garment accessory industry, while crucial to the textile supply chain, often faces financial instability due to competitive pricing, changing fashion trends, and supply chain disruptions.

Akhil Ribbons Pvt. Ltd., a key player in this sector, has recently encountered significant financial hurdles impacting its profitability and growth. This report explores the nature and impact of these issues.

2. Company Overview

Akhil Ribbons Pvt. Ltd., based in [City/State if known], specializes in the production of **tags, labels, and other branding elements** used by garment manufacturers. Serving both domestic and export clients, the company plays a vital role in enhancing the marketability of apparel through high-quality branding products.

3. Overview of Financial Problems

Some of the major financial problems faced by the company include:

- **Delayed Payments from Clients:**

Especially in the export segment, leading to cash flow issues.

- **High Inventory Costs:** Due to unsold stock and overproduction of certain SKUs.
- **Increased Raw Material Costs:** Fluctuations in the cost of synthetic fibers, threads, and printing supplies.
- **Dependence on a Few Large Clients:** Poses a risk if any one client reduces or stops orders.
- **Inefficient Cost Tracking:** Limited visibility on overheads and hidden operational costs.

4. Causes of Financial Problems

- **Internal Causes**
 - Lack of automation in accounting and inventory management.
 - Poor demand forecasting leading to overproduction.
 - Limited strategic planning and financial oversight.

- **External Causes**
 - Increased competition from low-cost manufacturers.
 - Supply chain delays, particularly for imported raw materials.
 - Global inflation affecting production and shipping costs.

5. Case Analysis: Akhil Ribbons Pvt. Ltd.

In 2023, Akhil Ribbons faced a **25% decline in cash reserves** due to delayed client payments and rising raw material costs. A large export order was delayed due to logistical issues, impacting both revenue and client trust. Meanwhile, the company's dependence on manual financial tracking systems resulted in underreported expenses, affecting accurate forecasting.

In early 2024, the company began experiencing difficulties paying vendors on time and had to delay salary disbursements for several weeks. This caused employee dissatisfaction and decreased productivity.

6. Consequences of Financial Problems

- Disruption in production due to delayed raw material procurement.
- Lower employee morale due to inconsistent salary payments.
- Strained relationships with vendors and clients.
- Reduced ability to invest in new machinery or technology upgrades.
- Risk of credit downgrades or banking issues.

7. Solutions and Recovery Strategies

- **Digitizing Financial Operations:** Implement ERP and accounting software for better expense and receivable tracking.
- **Diversifying Client Base:** Reduce

dependency on a few clients by expanding to new markets or sectors.

- **Negotiating Better Payment**

Terms: Push for partial advance payments or shorter credit cycles.

- **Cost Optimization:** Audit operations to eliminate waste and streamline procurement.

- **Financial Restructuring:** If necessary, seek restructuring options with banks or investors.

8. Conclusion

Akhil Ribbons Pvt. Ltd. faces a challenging but manageable financial situation. By embracing digital tools, improving cash flow practices, and expanding its client base, the company can restore its financial health. Timely intervention and strategic planning are essential to not only solve current problems but also build resilience for future uncertainties.

9. Recommendations

1. Implement an integrated ERP system.
2. Appoint a financial advisor or internal finance manager.
3. Conduct a quarterly financial audit and review.
4. Set clear payment policies with clients.
5. Explore opportunities in e-commerce or direct-to-brand supply.

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